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AMENDED IN SENATE APRIL 24, 2008

## SENATE BILL

**No. 1762**

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### **Introduced by Senator Perata**

**(Coauthors: Senators Kehoe, Lowenthal, and Padilla)**

~~(Coauthor: Assembly Member Hancock)~~ *Coauthors: Assembly Members  
Dymally, Hancock, and Krekorian)*

February 22, 2008

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An act to amend Section 901 of, and to add and repeal Division 1.6 (commencing with Section 3400) of, the Public Utilities Code, relating to climate change, and making an appropriation therefor.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1762, as amended, Perata. Energy: greenhouse gas emissions.

(1) Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations and gas corporations, as defined. Existing law requires the PUC to require the state's 3 largest electrical corporations, Pacific Gas and Electric Company, San Diego Gas and Electric, and Southern California Edison, to identify a separate electrical rate component to fund programs that enhance system reliability and provide in-state benefits. This rate component is a nonbypassable element of local distribution and is collected on the basis of usage. Existing PUC resolutions refer to the nonbypassable rate component as a "public

goods charge.” The public goods charge moneys are collected to support cost-effective energy efficiency and conservation activities, public interest research and development not adequately provided by competitive and regulated markets, and renewable energy resources. Moneys collected for public interest research and development are used by the State Energy Resources Conservation and Development Commission (Energy Commission) to carry out programs pursuant to the Public Interest Research, Development, and Demonstration Program.

Existing law establishes a surcharge on all natural gas consumed in the state to fund certain low-income assistance programs, cost-effective energy efficiency and conservation activities, and public interest research and development. Existing law requires a public utility gas corporation, as defined, to collect the surcharge from natural gas consumers, as specified. Existing law requires, until January 1, 2009, that funds allocated pursuant to the natural gas surcharge law for public interest energy research and development be administered by the Energy Commission consistent with orders and decisions adopted by the PUC, requires that  $\frac{1}{2}$  of the funds be expended pursuant to a strategic research plan jointly developed by the State Air Resources Board and the Energy Commission, and requires that the plan be submitted to the PUC for review and approval.

Existing law requires each local publicly owned electric utility to establish a nonbypassable usage-based charge on local distribution service to fund investments in specified public purpose programs, including energy efficiency and conservation, investment in renewable energy resources, research, development and demonstration programs, and providing services for low-income electricity customers. The charge is required to be not less than the lowest expenditure of the 3 largest electrical corporations in California based on a percentage of revenue.

~~Existing law establishes the Air Quality Improvement Program, administered by the state board, to fund air quality improvement projects, upon appropriation by the Legislature, relating to fuel and vehicle technologies. Existing law creates the Air Quality Improvement Fund and requires the state board to expend the moneys in the fund, upon appropriation by the Legislature, to implement the program.~~

This bill would request the Regents of the University of California to establish the ~~Climate Change Research and Workforce Development~~ *California Climate Change* Institute to (A) identify and support, through a merit-based peer-reviewed competitive grant process, research; education, and workforce training projects *and education* to be

undertaken at academic and research institutions and laboratories throughout the state, (B) oversee, coordinate, and manage a ~~single-targeted nonduplicative, targeted~~ research and development program for the purposes of achieving the state's ~~goals~~ *targets* for reducing emissions of greenhouse gases and mitigating the effects of those emissions, (C) develop ~~and support career paths for the workers necessary to implement the technologies and programs that provide climate change solutions~~ *effective model education pathways, training, model curriculum, and professional development necessary for emerging green technologies and industries*, and (D) ensure that ~~all state-funded~~ *its* climate change research is ~~funded in an organized, targeted, and nonduplicative manner~~ *conducted in a manner that is targeted and nonduplicative of other research programs*. The bill would state the intent of the Legislature that the University of California establish a leadership council, with specified membership, to provide advice and counsel as to the direction, scope, and progress of the institute. The President of the University of California would be required to select an executive director to oversee the operations of the institute. The executive director would be required to create a charter and strategic plan for the institute, as provided. The executive director would be required, by January 1, 2010, and annually thereafter, to report to the *appropriate policy and fiscal committees of the Legislature on the activities of the institute and the projects funded by the institute*.

This bill would create the ~~Climate Change Research and Workforce Development~~ *California Climate Change* Fund in the State Treasury, with the following accounts: (A) Public Interest GHG Research Account; ~~and (B) GHG Mitigation Fee Trust Account, and (C) Transportation GHG Research Trust Account~~. The bill would authorize moneys in the fund to be expended by the institute, upon appropriation by the Legislature. The bill would provide that not more than 5% of the fund may be expended for overhead or other administrative expenses of the institute.

This bill would require the Energy Commission, ~~beginning with the next fiscal year following the establishment of the institute~~ *once the institute is established*, to fund no new climate change research ~~as part of its activities, but would authorize the Energy Commission to continue to support existing climate change-related research projects pursuant to the Public Interest Research, Development, and Demonstration Program and to annually transfer \$20,000,000 from unexpended moneys in the Public Interest Research, Development, and Demonstration Fund~~.

~~to the Public Interest GHG Research Account. The bill would require, until January 1, 2020, that  $\frac{1}{2}$  of the funds allocated pursuant to the natural gas surcharge law for public interest energy research and development be expended pursuant to the strategic plan developed by the Climate Change Research and Workforce Development California Climate Change Institute. The bill would require that moneys allocated for public interest energy research and development pursuant to the natural gas surcharge law and require that these moneys be deposited into the Public Interest GHG Research Account.~~

This bill would authorize the PUC to impose a greenhouse gases emissions mitigation fee, as a nonbypassable usage-based charge on local distribution service, upon all electricity consumed in the state within the service territories of an electrical corporation. This authorization would become inoperable upon the elapse of 10 calendar years from the date a fee is first imposed or until January 1, 2020, whichever date occurs first. The bill would require the commission to set the amount of any fee so that consumers of electricity pay only for their fair share of the global warming harm caused by the emissions of greenhouse gases caused by the generation of the electricity consumed by the consumers and would require that the fee be consistent with all applicable legal requirements for imposing regulatory fees. Moneys collected pursuant to the fee would be deposited into the GHG Mitigation Fee Trust Account. The bill would require that the amount collected from the greenhouse gases emissions mitigation fee not exceed \$30,000,000 per year. The bill would provide that moneys deposited into the GHG Mitigation Fee Trust Account are held in trust for the benefit of ratepayers and shall only be used for research and development projects with a demonstrated and direct benefit to those ratepayers. The bill would, subject to the availability of funds, appropriate \$3,000,000 from the GHG Mitigation Fee Trust Account to the University of California for the initial administrative function costs for establishment of the ~~Climate Change Research and Workforce Development California Climate Change~~ Institute.

This bill would, if the commission imposes a greenhouse gas emissions fee on electricity consumers within the service territories of electrical corporations, require that ~~the governing board of a local publicly owned electric utility impose a greenhouse gases emissions mitigation fee on electricity consumers within its service territory~~ *commission notify the Energy Commission that the fee has been imposed and the manner in which the fee was calculated. The bill would then*

*require the Energy Commission to notify the governing board of each local publicly owned electric utility that the utility is responsible to provide funding for the institute comparable to the fee imposed by the commission. The bill would require a local publicly owned electric utility to transfer the moneys collected pursuant to the greenhouse gas emissions fee its proportionate share of funding to the institute for deposit in the GHG Mitigation Fee Trust Account. The bill would declare the intent of the Legislature that local publicly owned electric utility consumers pay their fair share of the global warming harm caused by the emissions of greenhouse gases caused by the generation of the electricity consumed by those consumers, while providing each local publicly owned electric utility the maximum flexibility to determine how best to pass those costs onto its ratepayers. By placing additional requirements upon local publicly owned electric utilities, the bill would impose a state-mandated local program.*

~~This bill would require that if the institute is established, that the state board annually transfer \$10,000,000 from the Air Quality Improvement Fund to the Transportation GHG Research Trust Account. The bill would provide that moneys in the account are held in trust and would require that the moneys only be used for research and development projects with a demonstrated and direct likelihood of avoiding or mitigating the effects of emissions of greenhouse gases from transportation sources.~~

~~The bill would repeal the provisions relating to the Climate Change Research and Workforce Development Institute and the Climate Change Research and Workforce Development California Climate Change Institute and the California Climate Change Fund on January 1, 2020.~~

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 901 of the Public Utilities Code is  
2 amended to read:

1 ~~901. (a) Funds allocated pursuant to this article for public~~  
2 ~~interest energy research and development shall be administered~~  
3 ~~consistent with orders and decisions adopted by the commission.~~

4 ~~(b) Funds allocated pursuant to this article~~

5 *901. (a) One-half of the funds allocated pursuant to this article*  
6 *for natural gas public interest energy research and development*  
7 *shall be expended pursuant to a strategic research plan developed*  
8 *by the Climate Change Research and Workforce Development*  
9 *California Climate Change Institute pursuant to Section 3412.*

10 ~~(c) Up to one-third of the funds allocated pursuant to this article~~  
11 ~~may be used for transportation related public interest energy~~  
12 ~~research and development, if the research provides natural gas~~  
13 ~~ratepayer benefits and those benefits are identified in the plan.~~

14 ~~(d) Funds allocated in subdivisions (b) and (c)~~

15 *(b) Funds allocated in this section* shall not be used for the  
16 California Hydrogen Blueprint Plan.

17 ~~(e)~~

18 *(c) This section shall remain in effect until January 1, 2020, and*  
19 *as of that date is repealed unless a later enacted statute extends or*  
20 *repeals that date.*

21 SEC. 2. Division 1.6 (commencing with Section 3400) is added  
22 to the Public Utilities Code, to read:

23  
24 DIVISION 1.6. RESEARCH AND DEVELOPMENT  
25 RELATED TO CLIMATE CHANGE  
26

27 PART 1. GENERAL PROVISIONS AND DEFINITIONS  
28

29 3400. This division shall become operative only if the Regents  
30 of the University of California, by appropriate resolution, choose  
31 to create the ~~Climate Change Research and Workforce~~  
32 ~~Development~~ *California Climate Change* Institute.

33 3402. The Legislature finds and declares all of the following:

34 (a) There is now overwhelming scientific consensus among the  
35 experts that our fossil fuel-intensive energy economy is driving  
36 climate change. The impact of climate change will be pervasive,  
37 altering our water resource base and our agricultural system, with  
38 effects upon human and ecological health.

39 (b) While a global phenomena, climate change will likely impact  
40 affluent and poorer communities differently, as well as requiring

1 new methods for protecting endangered ecosystems. As a society,  
2 we must have a research base to show how fast the climate is  
3 changing, what degree of climate protection we can implement  
4 through low-carbon energy systems, and how we can adapt to the  
5 climate change we cannot prevent.

6 (c) California has long been a leader in altering “business as  
7 usual” carbon-intensive economic behavior and demonstrating  
8 how those alterations can moderate greenhouse gas emissions, and  
9 thus, the extent and pace of climate change. California must  
10 continue and expand these efforts, and to do so will require  
11 information, knowledge, and understanding, not only about the  
12 science of climate change, but also about new practices to lower  
13 energy demand, and the emerging economic and legal frameworks  
14 that can help manage our energy demand and the impacts *climate*  
15 change will have on the planet.

16 (d) The risks of climate change and the economic insecurity  
17 that high fossil fuel energy prices have brought to California and  
18 the global economy have unleashed a wave of efforts to set state,  
19 national, and regional targets to safeguard the planet. Some of the  
20 most notable are the 25-percent reduction in emissions of  
21 greenhouse gases by ~~2025~~ 2020 and the 80-percent reduction by  
22 2050 that California has adopted under the California Global  
23 Warming Solutions Act of 2006 and Executive Order S-3-05, the  
24 70-percent or more reductions proposed in the United Kingdom,  
25 New Zealand, and Japan, and the 100-percent fossil fuel free plans  
26 of Sweden. These plans are consistent with the 80-percent or more  
27 reduction in emissions of greenhouse gases that the  
28 Intergovernmental Panel on Climate Change has determined is  
29 needed by 2050.

30 (e) California’s unique history in addressing climate change  
31 includes pathbreaking scientific and technological research, as  
32 well as the development of new economic techniques and  
33 assessments of the social impacts of changing environmental  
34 conditions. University of California researchers have been at the  
35 forefront of international research efforts that have found there  
36 can be significant local benefits to confronting climate change,  
37 including energy savings from “greening” the state’s buildings  
38 and industries, creating job growth, and building export  
39 opportunities in some of the fastest growing economic sectors.

(f) To maintain California's position of leadership in climate science, and to address the many questions that climate change brings to society, California must mobilize an unprecedented network of scholars, at our universities and at Lawrence Berkeley, Lawrence Livermore, Sandia, and Los Alamos, national laboratories, California's private universities, civic and government leaders, industry associations and companies, and environmental groups to create the world's leading climate research and action-oriented institute.

(g) California has in place not only the California Global Warming Solutions Act of 2006, that calls for a return to 1990 emissions levels by 2020 and the goal of 80 percent overall cuts by 2050, as contained in Executive Order S-3-05, but also an important package of policies across many state agencies that need to respond to the challenge of climate change. California's economy is particularly sensitive to the climate due to our reliance on water storage in snowpack and our productive agricultural systems, and California has unique air quality issues owing to the geography of the state. These factors make California particularly vulnerable to climate change and give the state a unique role in addressing the problem.

(h) California needs to both support research and implementation efforts to address the scientific issues of climate change and to deploy climate-friendly energy, water, agricultural, and industrial systems to benefit not only the state, but the global community that often looks to innovations in California as ways to address new challenges. This, in turn, provides economic opportunities for California, as its science, technology, and policy innovation landscape can be, and often is, exported to the rest of the nation and the world.

(i) *New legal requirements and changing practices relative to the energy generation and conservation sectors will lead to new industries dependent upon an educated and highly skilled workforce. Conservation of natural resources and efforts to mitigate the impact of climate change are affecting the education and continuing education needs of engineers, scientists, and the myriad of workers in California's emerging green economy. California must invest in the preparation of the workforce entrusted to be stewards of our resources and those who will invent,*



1 *manufacture, install, repair, market, and ship goods around the*  
2 *world.*

3 (i)

4 (j) The pervasive nature of the threat of climate change further  
5 means that coordination across not only state agencies, but also  
6 local municipalities, educational institutions, and business and  
7 industry sectors is vital to a successful and timely approach to  
8 climate change. These functions, as well as coordination with  
9 existing world-class state efforts on energy and resource  
10 management and avoidance of duplication of efforts, are important  
11 core missions of a climate change response initiative.

12 3404. For purposes of this division, “greenhouse gases” and  
13 “greenhouse gas” have the same meaning as defined in Section  
14 38505 of the Health and Safety Code.

15  
16 PART 2. ~~THE CLIMATE CHANGE RESEARCH AND~~  
17 ~~WORKFORCE DEVELOPMENT CALIFORNIA CLIMATE~~  
18 ~~CHANGE INSTITUTE~~  
19

20 3410. (a) The Regents of the University of California are  
21 requested to establish and administer the ~~Climate Change Research~~  
22 ~~and Workforce Development California Climate Change~~ Institute  
23 to the extent funds are available for this purpose pursuant to Part  
24 3 (commencing with Section 3420).

25 (b) It is the intent of the Legislature that the institute do all of  
26 the following:

27 (1) Identify and support, through a merit-based peer-reviewed  
28 competitive grant process, research, ~~education, and workforce~~  
29 ~~training projects and education~~ to be undertaken at academic and  
30 research institutions and laboratories throughout the state. It is the  
31 intent of the Legislature that all California institutions of higher  
32 education and all federal laboratories in California be eligible to  
33 participate in the institute’s grant programs.

34 (2) Oversee, coordinate, and manage a ~~single-targeted~~  
35 ~~nonduplicative, targeted~~ research and development program for  
36 the purposes of achieving the state’s ~~goals~~ *targets* for reducing  
37 emissions of greenhouse gases and mitigating the effects of those  
38 emissions, and helping California mitigate and adapt to the impacts  
39 of climate change.

1 ~~(3) Develop and support career paths for the workers necessary~~  
2 ~~to implement the technologies and programs that provide climate~~  
3 ~~change solutions.~~

4 *(3) Develop effective model education pathways, training, model*  
5 *curriculum, and professional development necessary for emerging*  
6 *green technologies and industries. The institute shall also provide*  
7 *the Legislature, the Labor and Workforce Development Agency,*  
8 *school districts and charter schools that maintain any of*  
9 *kindergarten and grades 1 to 12, inclusive, and the California*  
10 *Community Colleges recommendations on implementation of the*  
11 *education pathways, training, model curriculum, and professional*  
12 *development.*

13 ~~(4) Ensure that all state-funded its climate change research is~~  
14 ~~funded in an organized, targeted, and nonduplicative manner.~~  
15 ~~conducted in a manner that is targeted and nonduplicative of other~~  
16 ~~research programs.~~

17 (5) Focus on the following program areas:

18 ~~(A) Technology research on low-carbon fuels, battery and~~  
19 ~~zero-emission vehicle technology, renewable energy, sequestration~~  
20 ~~of greenhouse gases, and other technologies that advance~~  
21 ~~California's goals~~

22 *(A) Research on technologies that advance California's targets*  
23 *for reducing emissions of greenhouse gases or mitigating the effects*  
24 *of those emissions, with an emphasis on making these technologies*  
25 *commercially viable and available.*

26 *(B) Social science research to facilitate the transition to a*  
27 *low-carbon economy by increasing knowledge about human*  
28 *behavior and decisionmaking to improve policies, programs, and*  
29 *analytic methods and accelerate clean technology adoption and*  
30 *climate-positive action.*

31 *(C) Adaptation and forecasting, including understanding,*  
32 *assessing, monitoring, and predicting the effects of climate change*  
33 *on California's resources, including its water supply, forests,*  
34 *coastal lands, agricultural lands, species, and habitat.*

35 ~~(D) Green workforce development strategies, including career~~  
36 ~~exploration at the middle school level, high school career technical~~  
37 ~~education, and articulation between kindergarten and grades 1 to~~  
38 ~~12, inclusive, and certificate programs at community colleges~~  
39 ~~certificate programs at community colleges, state-approved~~  
40 ~~apprenticeships, and other postsecondary educational programs.~~

(c) (1) It is the intent of the Legislature that the University of California establish a leadership council to provide advice and counsel to the University of California as to the direction, scope, and progress of the ~~Climate Change Research and Workforce Development~~ *California Climate Change* Institute. Responsibilities of the leadership council would include, but are not limited to, all of the following:

(A) Providing advice and counsel on the research areas that will best enable California to meet its greenhouse gas emission reduction goals.

(B) Providing advice and counsel on the strategies and overall budget of the institute.

(C) Providing advice ~~and counsel on~~, *counsel, and approval of* the university's selection of an executive director for the institute pursuant to subdivision (f).

~~(D) Reviewing and providing advice and counsel on the charter~~

(D) *Providing advice, counsel, review, and approval of the charter* and the strategic plan for the institute created pursuant to Section 3412.

(2) The leadership council shall meet with the executive director semiannually, and may meet more frequently if requested either by the leadership council or the executive director.

(d) It is the intent of the Legislature that the leadership council be composed of all of the following:

(1) The Chairperson of the State Air Resources Board, or a designee, as cochair.

(2) The President of the University of California, or a designee, as cochair.

(3) *The Chancellor of the California State University, or a designee.*

~~(3)~~

(4) The Chairperson of the State Energy Resources Conservation and Development Commission, or a designee.

~~(4)~~

(5) The president of the commission, or a designee.

~~(5)~~

(6) The Chancellor of the California Community Colleges, or a designee.

(7) *The Superintendent of Public Instruction, or a designee.*

1 (8) *The Secretary of Labor and Workforce Development, or a*  
2 *designee.*

3 ~~(6)~~

4 (9) A member appointed by the Governor to represent  
5 environmental justice concerns.

6 ~~(7)~~

7 (10) A member appointed by the Governor from the private  
8 sector.

9 ~~(8)~~

10 (11) A member appointed by the Governor selected from  
11 nominations submitted by California's private research universities.

12 ~~(9)~~

13 (12) A member appointed by the Senate Committee on Rules.

14 ~~(10)~~

15 (13) A member appointed by the Speaker of the Assembly.

16 (e) The appointed members of the leadership council shall serve  
17 four-year terms, except the first term of the member appointed  
18 pursuant to paragraph~~(6)~~ (9) of subdivision (d) shall be two years,  
19 and the first term of the member appointed pursuant to paragraph  
20 ~~(9)~~ (12) of subdivision (d) shall be three years. The members of  
21 the leadership council shall not receive compensation for their  
22 services, except for reasonable expenses for attending meetings  
23 of the leadership council or institute.

24 (f) The President of the University of California, in consultation  
25 with, *and subject to the approval of*, the leadership council, shall  
26 select an executive director to oversee the operations of the  
27 institute. The executive director shall allocate funds for projects  
28 consistent with the strategic plan created pursuant to Section 3412.

29 (g) It is the intent of the Legislature that the executive director  
30 appoint a program council, including, but not limited to,  
31 representatives from University of California campuses and other  
32 California research institutes, colleges, and universities with  
33 expertise in research ~~and workforce development~~, *representatives*  
34 *from the private sector with experience in bringing new*  
35 *technologies to market, and representatives of state and local*  
36 *government, school districts or charter schools that maintain any*  
37 *of kindergarten and grades 1 to 12, inclusive, industry, professional*  
38 *and trades organizations, and from the career technical education*  
39 *field with labor and workforce expertise in areas related to the*  
40 *institute's mission, to provide input and advice to the executive*

1 director on scientific program priorities, to assist in developing  
2 the institute's strategic plan, to assist in developing guidelines to  
3 assure fairness, neutrality, and adherence to principles of merit  
4 and quality in the conduct of the programs administered by the  
5 institute, and to provide other advice and counsel as the executive  
6 director may request. The executive director ~~may~~ shall establish  
7 advisory committees of experts and stakeholders.

8 3412. (a) (1) The executive director shall, in consultation with  
9 the leadership council, create a charter for the institute. The  
10 executive director shall, in consultation with the program council  
11 and the leadership council, create a strategic plan for the institute.

12 (2) *The leadership council shall approve the charter and the*  
13 *strategic plan in an open meeting. It is the intent of the Legislature*  
14 *that the University of California adopt open meeting requirements*  
15 *for the leadership council that are modeled upon the requirements*  
16 *for meetings of the regents pursuant to Article 3 (commencing with*  
17 *Section 92020) of Part 57 of Division 9 of the Education Code.*

18 (b) The executive director shall submit the charter and the  
19 strategic plan for the institute to the Legislature. The charter shall  
20 be submitted by June 30, 2009. The strategic plan shall be  
21 submitted by December 31, 2009.

22 (c) The strategic plan shall be consistent with Section 3410 and  
23 shall describe how the institute will fulfill the intent of the  
24 Legislature as described in that section. The strategic plan shall  
25 also describe how the institute will coordinate its efforts with those  
26 of other state, federal, and private research efforts, how the institute  
27 will ensure on an ongoing basis that its efforts are responsive to,  
28 and supportive of, California's greenhouse gas reduction goals,  
29 and the research and efforts and programs that are a priority for  
30 the institute. *The strategic plan shall also identify how the institute*  
31 *will coordinate with schools that maintain kindergarten and grades*  
32 *1 to 12, inclusive, community colleges, state-approved*  
33 *apprenticeship programs, other postsecondary institutions, and*  
34 *the California Labor and Workforce Development Agency, to*  
35 *develop career technical education and other programs related*  
36 *to the mission of the institute.*

37 (d) The executive director, after obtaining advice and counsel  
38 from the leadership council, shall submit to the Legislature, every  
39 three years, an updated strategic plan for the institute. The

1 executive director may submit amendments to the strategic plan  
2 to the Legislature at any time.

3 3413. By January 1, 2010, and annually thereafter, the  
4 executive director shall report to the leadership council and *the*  
5 *appropriate policy and fiscal committees of the Legislature on the*  
6 *projects funded by the institute, the contribution that each project*  
7 *has made towards Legislature on the activities of the institute,*  
8 *including how each project funded by the institute addresses*  
9 *meeting California's goals for reducing greenhouse gas emissions,*  
10 *mitigating the effects of those emissions, or helping the state adapt*  
11 *to the effects of climate change, and future projects.*

12 3414. (a) ~~If the Climate Change Research and Workforce~~  
13 ~~Development California Climate Change Institute is established,~~  
14 ~~the institute shall be the only vehicle for conducting research and~~  
15 ~~development into climate change and greenhouse gases funded in~~  
16 ~~whole, or in part, through charges imposed upon electrical~~  
17 ~~corporation and gas corporation ratepayers. The commission may~~  
18 ~~authorize the use of ratepayer funds for technology development~~  
19 ~~and commercialization that is necessary for the achievement of all~~  
20 ~~cost-effective energy efficiency resources. ratepayers.~~

21 (b) *Notwithstanding subdivision (a), the commission may*  
22 *authorize the use of ratepayer funds for technology development*  
23 *and commercialization that is necessary for the achievement of*  
24 *all cost-effective energy efficiency resources.*

25 (c) *Notwithstanding subdivision (a), the State Energy Resources*  
26 *Conservation and Development Commission shall not fund new*  
27 *climate change research projects once the California Climate*  
28 *Change Institute is established, but may continue to support*  
29 *existing climate change-related research projects pursuant to the*  
30 *Public Interest Research, Development, and Demonstration*  
31 *Program (Article 7.1 (commencing with Section 25620) of Division*  
32 *15 of the Public Resources Code). The State Energy Resources*  
33 *Conservation and Development Commission and the California*  
34 *Climate Change Institute shall coordinate to minimize duplication*  
35 *and disruption of research projects in existence immediately*  
36 *preceding January 1, 2009.*

37 3415. By June 30, 2010, the State Energy Resources  
38 Conservation and Development Commission shall provide the  
39 institute with copies of its files, applications, and reports relating  
40 to research pertaining to emissions of greenhouse gases that are

*funded pursuant to Chapter 7.1 (commencing with Section 25620) of Division 15 of the Public Resources Code or other moneys paid by electricity and natural gas ratepayers, to ensure coordination of efforts between the State Energy Resources Conservation and Development Commission and the institute. The institute shall preserve the confidentiality of the information supplied in a manner that is at least as protective as those used by the State Energy Resources Conservation and Development Commission.*

**PART 3. ~~THE CLIMATE CHANGE RESEARCH AND~~  
~~WORKFORCE DEVELOPMENT CALIFORNIA CLIMATE~~  
CHANGE FUND**

3420. (a) ~~The Climate Change Research and Workforce Development California Climate Change~~ Fund is hereby created in the State Treasury. The following accounts shall be created in the fund:

- (1) Public Interest GHG Research Account.
- (2) GHG Mitigation Fee Trust Account.
- ~~(3) Transportation GHG Research Trust Account.~~

(b) Moneys in the fund may be expended by the ~~Climate Change Research and Workforce Development California Climate Change~~ Institute, upon appropriation by the Legislature, to implement this division.

(c) Moneys in the fund may be expended for administrative costs only upon appropriation by the Legislature, including administrative costs incurred in collecting any fees imposed pursuant to this division. Not more than 5 percent of the fund may be expended for overhead or other administrative expenses of the institute.

(d) Moneys appropriated by the Legislature shall be available to the institute for encumbrance or expenditure for three fiscal years beginning with the fiscal year in which the appropriation is made.

3422. Moneys allocated for public interest energy research and development pursuant to Section 901 shall be deposited into the fund in the Public Interest GHG Research Account.

~~3424. If the institute is established, the State Energy Resources Conservation and Development Commission shall, beginning with~~

1 the next fiscal year following the establishment of the institute, do  
2 both of the following:

3 (a) ~~Fund no new climate change research as part of its activities~~  
4 ~~pursuant to the Public Interest Research, Development, and~~  
5 ~~Demonstration Program (Article 7.1 (commencing with Section~~  
6 ~~25620) of Division 15 of the Public Resources Code). The State~~  
7 ~~Energy Resources Conservation and Development Commission~~  
8 ~~may continue funding for any projects already being funded on~~  
9 ~~the date that the institute is established.~~

10 (b) ~~Annually transfer twenty million dollars (\$20,000,000) from~~  
11 ~~unexpended and unencumbered moneys in the Public Interest~~  
12 ~~Research, Development, and Demonstration Fund to the Public~~  
13 ~~Interest GHG Research Account.~~

14 3426. (a) (1) The commission may, subject to the overall  
15 limitation in subdivision (c), impose a greenhouse gases emissions  
16 mitigation fee, as a nonbypassable usage-based charge on local  
17 distribution service, upon all electricity consumed in the state  
18 within the service territories of an electrical corporation. Any  
19 moneys collected through a greenhouse gases emissions mitigation  
20 fee shall be deposited in the GHG Mitigation Fee Trust Account,  
21 and may be expended by the ~~Climate Change Research and~~  
22 ~~Workforce Development~~ *California Climate Change* Institute,  
23 upon appropriation by the Legislature, for climate change and  
24 other research and development that directly benefits ratepayers  
25 and mitigates climate change effects associated with the burning  
26 of natural gas and the generation of electricity to service ratepayers.

27 (2) The commission shall set the amount of any fee so that  
28 consumers of electricity pay only for their fair share of the global  
29 warming harm caused by the emissions of greenhouse gases caused  
30 by the generation of the electricity consumed by the consumers.  
31 Any fee imposed by the commission shall be consistent with all  
32 applicable legal requirements for imposing fees, including the  
33 requirements set forth in *Sinclair Paint Co. v. State Bd. of*  
34 *Equalization* (1997) 15 Cal.4th 866.

35 (b) The commission's authority pursuant to subdivision (a) is  
36 in addition to its authority pursuant to subdivision (d) of Section  
37 890.

38 (c) The authority of the commission to impose a greenhouse  
39 gases emissions mitigation fee shall become inoperative 10  
40 calendar years from the date it is first imposed, or as of January



1 1, 2020, whichever date occurs first. The total amount collected  
2 through a greenhouse gases emissions mitigation fee imposed by  
3 the commission shall not exceed thirty million dollars  
4 (\$30,000,000) per year.

5 (d) Moneys deposited into the GHG Mitigation Fee Trust  
6 Account are held in trust for the benefit of electrical utility  
7 ratepayers and shall only be used for research and development  
8 projects with a demonstrated and direct benefit to those ratepayers.

9 (e) Subject to the availability of funds, the sum of three million  
10 dollars (\$3,000,000) is hereby appropriated from the GHG  
11 Mitigation Fee Trust Account to the University of California for  
12 the initial administrative costs for establishment of the ~~Climate~~  
13 ~~Change Research and Workforce Development~~ *California Climate*  
14 *Change Institute*.

15 3428. (a) If the commission imposes a greenhouse gases  
16 emissions mitigation fee on electricity consumers within the service  
17 territories of electrical corporations, the ~~governing board of a local~~  
18 ~~publicly owned electric utility shall impose a greenhouse gases~~  
19 ~~emissions mitigation fee on electricity consumers within its service~~  
20 ~~territory~~ *commission shall notify the State Energy Resources*  
21 *Conservation and Development Commission that the fee has been*  
22 *imposed and the manner in which the fee was calculated.*

23 (b) *The State Energy Resources Conservation and Development*  
24 *Commission, if notified by the commission pursuant to subdivision*  
25 *(a) that a greenhouse gases emissions mitigation fee has been*  
26 *imposed on the electricity consumers of electrical corporations,*  
27 *shall notify the governing board of each local publicly owned*  
28 *electric utility that the utility is responsible to provide funding for*  
29 *the institute comparable to the fee imposed by the commission.*  
30 *The local publicly owned electric utility shall transfer the moneys*  
31 *collected pursuant to the greenhouse gases emissions mitigation*  
32 *fee its proportionate share of funding to the institute for deposit*  
33 *in the GHG Mitigation Fee Trust Account.*

34 (c) *It is the intent of the Legislature that local publicly owned*  
35 *electric utility consumers pay their fair share of the global warming*  
36 *harm caused by the emissions of greenhouse gases caused by the*  
37 *generation of the electricity consumed by those consumers, while*  
38 *providing each local publicly owned electric utility the maximum*  
39 *flexibility to determine how best to pass those costs onto its*  
40 *ratepayers.*

3430. It is the intent of the Legislature that the institute seek funding for carrying out the functions of the institute from nonstate sources, including the federal government and private sources. The executive director shall, in the annual report to the leadership council and the Legislature, describe efforts each year to secure matching funding. The Legislature expects a 100-percent match to state-provided funding annually by July 1, 2013. The executive director, in consultation with the leadership council and the program council, may require grantees to secure matching funds, in order for the institute to meet the 100-percent match expectation of this section.

~~3432. If the institute is established, the State Air Resources Board shall annually transfer ten million dollars (\$10,000,000) from unexpended and unencumbered moneys in the Air Quality Improvement Fund, to the Transportation GHG Research Trust Account. Moneys in the account are held in trust and shall only be used for research and development projects with a demonstrated and direct likelihood of avoiding or mitigating the effects of emissions of greenhouse gases from transportation sources.~~

#### PART 4. REPEAL

3440. This division shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.

SEC. 3. (a) The State Air Resources Board shall, by July 1, 2009, determine both of the following:

(1) Whether Division 1.6 (commencing with Section 3400) of the Public Utilities Code became operational pursuant to Section 3400 of that division.

(2) Whether the ~~Climate Change Research and Workforce Development~~ *California Climate Change* Institute has been established pursuant to Part 2 (commencing with Section 3410) of Division 1.6 of the Public Utilities Code.

(b) If the State Air Resources Board determines that either paragraph (1) or (2) of subdivision (a) has not occurred, the state board shall, by January 1, 2010, report to the Legislature with recommendations for the formation of a climate change research and development program, to be under the auspices of the state

1 board, to be funded by a mitigation fee assessed upon emissions  
2 of greenhouse gases.

3 SEC. 4. No reimbursement is required by this act pursuant to  
4 Section 6 of Article XIII B of the California Constitution because  
5 a local agency or school district has the authority to levy service  
6 charges, fees, or assessments sufficient to pay for the program or  
7 level of service mandated by this act, within the meaning of Section  
8 17556 of the Government Code.

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